

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

32

July 8, 2003

FROM: AURELIO W. DE LA TORRE, Director
Purchasing Department

SUBJECT: LEASE-PURCHASE FINANCIAL SERVICES

RECOMMENDATION: Approve Master Equipment Lease/Purchase Agreement listed to provide Lease-Purchase Financial Services to departments countywide.

Agreement No.

Banc of America Leasing & Capital, LLC

BACKGROUND INFORMATION: In December 1990, the Board approved a master lease agreement (90-1411) with Security Pacific Equipment Leasing, Inc. to finance lease-purchases of equipment at a competitive rate to the county. In October 1996, the Board approved an amendment which modified several provisions of the master lease agreement including an extension to March 31, 2002. On May 14, 2002, the Board approved extending the agreement to December 31, 2002 with Banc of America Leasing & Capital, LLC (formerly Security Pacific Equipment Leasing, Inc.). On January 14, 2003, Purchasing posted Board of Supervisors' approved Request for Proposal (RFP) PUR02-11 on the county website inviting responses from qualified financial entities to provide lease-purchase financial services. In addition, the Board approved extending the agreement to June 30, 2003 to allow sufficient time to process the RFP and enable the county to finance equipment with no interruption of service to county departments.

The Master Lease/Purchase Program is a cost-effective method for the county to lease-purchase equipment on an annual basis with a minimum of staff time and paperwork. The major advantage of the master lease program is that it allows the county to set up a "master" set of documents on a one-time basis that can be used in subsequent fiscal years to add additional equipment to the master lease agreement (subject to the annual credit review by the funding source). There are no additional lease documents, bid documents, or credit applications required once the program is in place. Departments are then able to make payments at tax-exempt rates reducing the impact on their budgets.

Of the six responses to the RFP received on or before the January 31, 2003 deadline, five responses meeting the minimum qualifications were evaluated by a committee comprised of representatives from the Auditor/Controller-Recorder, County Administrative Office, County Counsel, Purchasing, and Treasurer-Tax Collector. The evaluation process involved ranking the proposals based on cost, experience, qualifications, and references. Lease rates were requested for terms of three to seven years. The vendors were advised the actual lease rate to be applied would be based on Treasury yields at the time of the proposed lease-purchase, and thus would float over the life of the contract that is negotiated with the selected respondent. Rates could be expressed either as a percentage of the relevant Treasury note, as a fixed spread to the interpolated Treasury note, or a combination of the two.

The committee evaluated the five responses to the RFP and recommends Banc of America Leasing & Capital, LLC as the most qualified to provide lease-purchase financial services. Because this is a multi-year contract, the selection panel modeled several different economic and interest rate environments and evaluated the banks' fees for each scenario. Banc of America Leasing & Capital, LLC fees were the lowest for the majority of these scenarios.

Page 1 of 2

Record of Action of the Board of Supervisors

32

Lease-purchases can be financed for a period of three, four, five, or seven years. Types of equipment lease-purchased by the county include telecommunication systems, computers, vehicles, printers, and copiers. The following represents the total dollar amount of equipment financed by the county and the total number of lease schedules processed by Banc of America Leasing & Capital, LLC within the last 34 months:

<u>Period</u>	<u>No. of Schedules</u>	<u>Amount Funded</u>
9/1/02 – 6/30/03	7	\$1,776,183
9/1/01 – 8/31/02	18	\$4,052,153
8/1/00 – 8/31/01	21	\$4,369,622

Purchasing processes all lease-purchase transactions that have been approved through the annual budget process or by the Board as mid-year approvals for equipment lease-purchases within the county. Banc of America Leasing & Capital, LLC will provide the county with a line of credit up to \$10,000,000, under a Master Lease/Purchase Agreement, with separate schedules and funding for each transaction requested.

REVIEW BY OTHERS: This item has been approved as to legal form by County Counsel (Michelle Blakemore, Deputy County Counsel) on June 4, 2003, and reviewed by the County Administrative Office (Lynn Chacon, Administrative Analyst) on June 27, 2003.

FINANCIAL DATA: Lease-purchases of equipment are included in the departments' 2003-04 budgets and will be budgeted in subsequent fiscal years.

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item and concurs with the department's proposal and recommends this action based on the necessity to continue to provide lease-purchase services of equipment to departments. Lease-purchase of equipment is included in department 2003-04 budgets. There is no impact on local cost as a result of this board action.

SUPERVISORIAL DISTRICT(S): All

PRESENTER: Terri Martinez, Contracts Administrator, 387-2069